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*Developments in Indochina*

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## *Developments in Indochina*

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In Cambodia, the world oil crisis has come at a time when the country's civilian stocks of petroleum are critically low.

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The cease-fire is holding remarkably well,

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and no early withdrawal of Communist forces is likely.

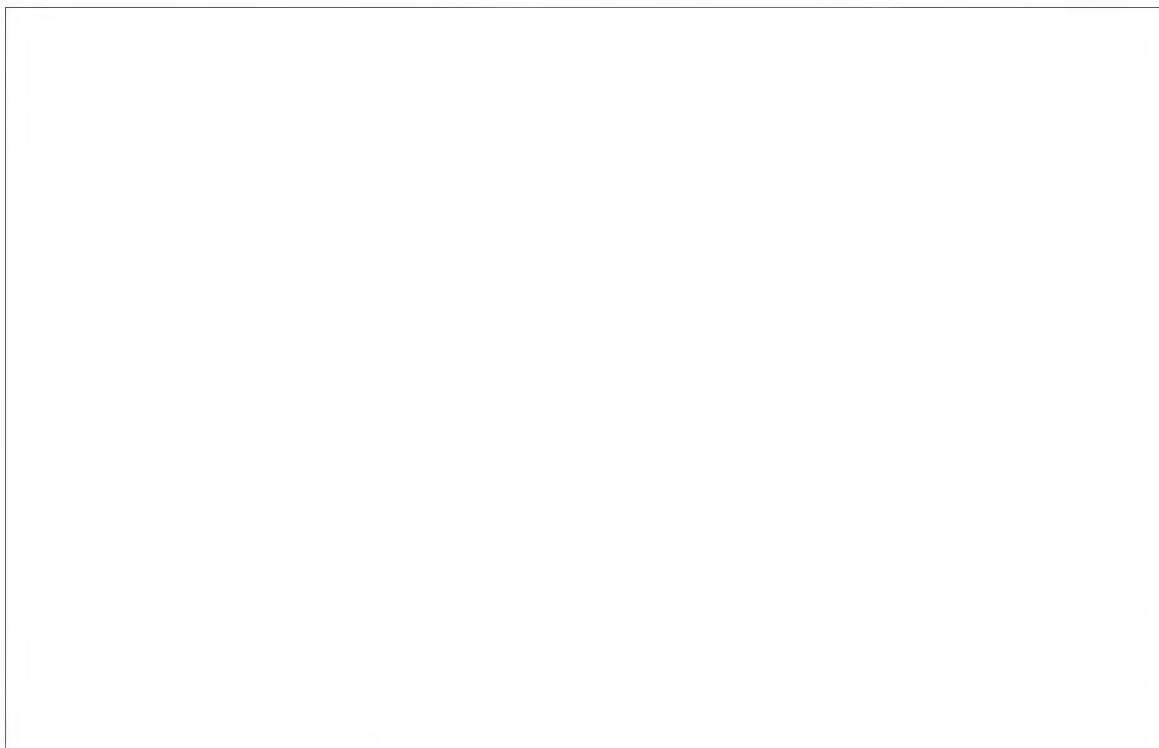
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Friction continues at the top levels of the Thieu government, and the President may soon be forced to take more positive measures to resolve the power struggle among his aides.

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The Petroleum Situation

The current world oil crisis has caught Cambodia's civilian stocks of petroleum at a critical point. Supplies of most products are at about three-weeks' level, with kerosene in particularly short supply. Phnom Penh would like to have a 60-day supply of fuel oil and auto diesel by the end of the year and a 30-day reserve of all other civilian oil products in anticipation of increased Communist interdiction of principal transport routes.

Four companies supply Cambodia's civilian POL needs--Shell, Esso, Caltex, and Summit. Summit is based in Taiwan and delivers oil refined in Thailand to Battambang in Cambodia. The other three companies have been obtaining refined oil from Singapore since Cambodia's only refinery at Kompong Som was shut down by Communist attacks in early 1971. Esso completed

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its contracted deliveries five months ago and is beginning preparations to pull out of Cambodia altogether by the end of 1974. After announcements early last month of sharp cutbacks in scheduled deliveries because of the Arab embargo, Shell and Caltex (which together provide some 70 percent of Cambodia's civilian needs) have agreed to honor existing commitments. This latest decision should see Cambodia through the end of the year, but the government will probably be unable to achieve targeted reserve stock levels, and there is growing uncertainty over adequate deliveries in 1974.

The situation with respect to the military sector is less clear. Stocks of gasoline and auto diesel are sufficient for at least four weeks at present consumption rates. POL for the military is supplied by Shell, Esso, and Caltex, which obtain refined products from Singapore. Singapore notified these companies that all contracts to deliver POL to Cambodian military forces--funded by the US Department of Defense--were being canceled as of 1 December. It is not known whether this directive was at the initiative of the Arabs or of the refineries. It has been proposed that existing contracts be modified to read as an agreement between the government and the oil companies, but with purchase of supplies ultimately to be reimbursed by the Pentagon. The proposed modification was approved by the local representatives of the three distributors; Singapore was to respond by 28 November, but we have no information on its decision.

Cambodian authorities have taken measures to conserve existing stocks. The Cambodian Army is to reduce consumption of all POL products ten percent by 15 December, and civilian stocks of gasoline and diesel fuels are being rationed. Government vehicles and public transportation are so far not affected. Additional conservation measures can be expected and, for civilians, are likely to include substantial price increases and rationing of all petroleum products.

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LAOS

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North Vietnamese Standing Fast

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The formation of a new coalition government, which will establish a specific deadline for the withdrawal of all "foreign military forces" from Laos, continues to be delayed by procedural wrangling between Lao Communist and government negotiators. According to the 14 September protocol to the Vientiane peace agreement of 21 February, foreign troop withdrawal is to take place in three stages at 20-day intervals and is to be completed within 60 days after the new government and its advisory body, the Joint National Political Council, are established.

Prime Minister Souvanna recently confided to Ambassador Whitehouse that he was discouraged over the recent upsurge of Communist offensive activity in South Vietnam and had concluded that Hanoi would need the Ho Chi Minh trail network until the rains begin again in the late spring. Souvanna indicated that he expected Lao Communist negotiators to stall on the formation of a coalition government--and, hence, North Vietnamese withdrawal--until that time.

The link between the North Vietnamese presence and political progress in Vientiane may not be as real as the Prime Minister seems to believe. Given

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the high priority Hanoi attaches to maintaining an adequate flow of troops and supplies to the south, any troop withdrawals will probably come primarily from combat units in north Laos, with logistic and engineer forces in the south remaining intact. Hanoi almost certainly intends to maintain a sizable military presence in the southern Lao panhandle to facilitate and safeguard the dry season supply push currently under way there. Continuing construction work on a major new dual lane, all-weather road which will eventually span the entire length of the panhandle, coupled with the announcement earlier this year of "aid" agreements between Hanoi and Sam Neua, could provide a facade of legitimacy for an indefinite North Vietnamese presence along the infiltration corridor.

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SOUTH VIETNAM

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More Infighting at the Palace

There are signs of continued friction at the top levels of the Thieu government. President Thieu is attempting to resolve the power struggle among his aides, but more positive action may be necessary.

Prime Minister Khiem reportedly complained recently [redacted] that presidential assistant Nguyen Van Ngan is trying to use the government's Democracy Party to gain control of both the army and the administration. Khiem charged that the Democracy Party is becoming too powerful and that Ngan exercises too much influence on domestic political decisions. The Prime Minister said that he and the senior generals have thus far rebuffed Ngan's efforts, but said he would soon warn Thieu of the undesirable effects of current Democracy Party activities.

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[redacted] Ngan is out of favor at the palace and that as a result, Thieu has refused to meet personally with Ngan.

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The other major actor in the dispute, Information Commissioner Hoang Duc Nha, apparently is still on good terms with Thieu. Nha, who has been Thieu's closest civilian adviser, may even be taking on additional responsibility. A task force of senior officials set up by Thieu reportedly has decided to place the country's defector program under the operational control of Nha's Information Commission.

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